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August 15, 2006

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**RECOMMENDATION TO AWARD THIRTEEN
STAGE ONE CHILD CARE SERVICES CONTRACTS
(ALL DISTRICTS - 3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Delegate authority to the Director, Department of Public Social Services (DPSS), to prepare and execute contracts, in substantially similar form as Enclosure A, with the 13 Alternative Payment Program (APP) agencies as set forth in Enclosure B, and the individual agency costs as stated in Enclosure C for the provision of Stage One Child Care services to CalWORKs participants. The contracts will be renewed for thirty-four months effective September 1, 2006, or the day after Board approval, whichever is later, through June 30, 2009, at an estimated thirty-four month cost of \$401,953,000, funded through CalWORKs Single Allocation. The contracts include a Cost of Living Adjustment (COLA) provision.
2. Delegate authority to the Director of DPSS or designee, to prepare and sign amendments to each contract that result in any decrease, or any increase of no more than 10 percent of the original contract rates in each respective contract when the change is necessitated by additional and necessary services that are required in order to comply with changes in federal, State, or County requirements, and approved cost of living adjustments. Any increase shall not, in the aggregate, go above 10 percent of the original contract rates for each contract. The approval of County Counsel and the Chief Administrative Office (CAO) will be obtained prior to execution of such amendments.

"To Enrich Lives Through Effective And Caring Service"

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The current contracts for these services were to expire on June 30, 2006, but were extended through September 30, 2006, with additional month-to-month extensions not to exceed six months to complete negotiations.

The recommended action will allow DPSS to continue to provide vital seamless Stage One Child Care services to the County's CalWORKs participants. The services provided assist parents in locating and paying for licensed and license-exempt child care which are safe and stable and help them achieve their educational and employment goals that will help them achieve self-sufficiency.

The APP agencies have provided satisfactory service since December 1998 and have consistently adapted to program changes and requirements.

Implementation of Strategic Plan Goals

The recommended actions are consistent with the principles of the Countywide Strategic Plan Goal #5: Improve the well-being of children and families in Los Angeles County, Strategy #2: Economic Well-Being: Enhance the ability of families to achieve self-sufficiency and economic well-being and Strategy #5: Educational/Workforce Readiness: Create affordable, accessible and quality child development, educational, cultural, and vocational skill development opportunities for children and families.

FISCAL IMPACT/FINANCING

The total cost of the 13 Stage One Child Care Services contracts is estimated at \$401,953,000. Of this amount, \$320,528,000 is to reimburse the APPs for direct provider payments made to the child care providers. The remaining \$81,425,000 is for administrative costs, including collocation staffing and outreach activities costs, for the APPs to operate the program.

The 10-month cost in the first fiscal year, from September 1, 2006 to June 30, 2007 is estimated at \$117,501,000. Of this amount, \$94,274,000 is to reimburse the APPs for direct provider payments made to the child care providers, and \$23,227,000 is for administrative costs, including collocation staffing and outreach activity costs. These costs are included in the Department's FY 2006-07 Adopted Budget. The estimated total contract costs for FY 2007-08 and FY 2008-09 are \$141,788,000 and \$142,664,000, respectively. The contracts include a COLA provision.

FISCAL IMPACT/FINANCING (contd.)

These costs are fully funded by federal and State revenue allocated for CalWORKs Stage One Child Care. There is no additional net County cost after the required CalWORKs Maintenance of Effort is met. Funding for future years will be included in the Department's annual budget requests.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

California Education Code 8350 requires three stages of Child Care Services. Section 8351 of the same code requires county welfare departments to manage the first stage (Stage One). Subsection 8351(e) allows counties to contract for any or all of Stage One Child Care services. Stages 2 and 3 Child Care Services are under the jurisdiction of the California Department of Education (CDE). The CDE contracts with the same agencies as DPSS for child care services.

The County has contracted for Stage One Child Care Services since December 1998. The current Stage One contracts went into effect May 1, 2004 and were to expire on June 30, 2006. However, the contracts were extended for three months with additional month-to-month extensions not to exceed six months to complete negotiations.

Per subsection 2.121.250B.1 of the County Code, these contracts are not subject to Prop A contract requirements and, thus, are exempt from the Living Wage Ordinance.

Under the contracts, the APPs must ensure that the parent is provided with the necessary information and assistance to make an informed child care choice, determine that the parent is eligible to receive child care services and the provider meets all eligibility criteria, and process the child care certification within a specified time period. The contractors must also process provider payments.

Deviations in Board mandated County language for Indemnification (now known as Mutual Indemnification), Termination for Convenience of County and Removal of Unsatisfactory Personnel (now known as Reassignment of Personnel) have been reviewed and approved by County Counsel.

The contracts address performance measures, and specify monitoring activities that will be performed by DPSS staff. Monitoring of measurable outcomes include tracking the timeliness of the APPs actions in approving child care, timeliness in processing denials, ensuring the accuracy of the child care approval actions, and the accuracy and timeliness of child care payments.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS (contd.)

Based on the recommendations in the recent Civil Grand Jury report, this contract incorporates new fraud prevention measures including a requirement that the APPs accept only original documents for verification purposes. Also, there is a new requirement that the APPs mail Employment and Training Verification forms directly to the employer/trainer rather than handing forms to participants to have them completed.

DPSS is currently exploring the feasibility of conducting site inspections as a pilot project to verify that child care is being provided.

Past DPSS monitoring of these contracts has found that overall child care services are being provided to our CalWORKs participants in an efficient and effective manner. In addition to the contract compliance requirements, two performance measures have been added to the contracts: Customer Satisfaction and Improving the Child Care Application Approval Rate.

Furthermore, the Auditor-Controller (A-C) monitored the contractors in FY 2003-04, 2004-05 and 2005-06 as part of its A-C Centralized Contract Monitoring Project. Their overall findings show that the APPs have provided the services required by the contract.

All of the contracts contain a Termination for Convenience clause that allows the County to terminate with 30 days notice. The contract with Pomona Unified School District (PUSD) will continue to contain a mutual termination for convenience clause that requires 75 days notice to enable PUSD to notify its Board of Education and provide the required 45 days notice to its employees if staff were to be laid off.

All but two of the contracts are firm-fixed price contracts. These two contracts are actual cost contracts; the City of Norwalk and PUSD. The California Department of Social Services requires contracts with other public agencies to be actual cost contracts. They have additional clauses requiring them to periodically reconcile their billings to actual costs. The contracts also contain a provision which limits the County's obligation if funding is not appropriated by the State and by the Board of Supervisors.

The award of this contract will not result in unauthorized disclosure of confidential information and will be in full compliance with federal, State and County regulations. The contractor is in compliance with the Jury Service Program. The Living Wage Ordinance does not apply because the recommended contract is a non-Prop A contract.

The contract has been approved as to form by County Counsel.

CONTRACTING PROCESS

The California Department of Social Services has approved our intended action to execute these contracts as sole source contracts. There are no other agencies that can adequately perform this function. Seamless service delivery between Stages 1, 2 and 3 is crucial in ensuring that CalWORKs participants continue to achieve their long-term goals of self-sufficiency.

CONTRACT PERFORMANCE

The current contracts address performance measures, including fiscal deductions/sanctions for failure to meet the performance standards and specify monitoring activities performed by DPSS staff. DPSS' monitoring of these contracts has found that overall, child care services are being provided to our CalWORKs participants in an efficient and effective manner.

The proposed contracts include two additional performance measures. One is related to customer satisfaction and is measured by responses to Customer Satisfaction Surveys of a random sampling of participants and child care providers who rate the contractor as excellent, good, satisfactory or poor. For this performance measure to be met, 80 percent of those surveyed must rate the contractor at a level of satisfactory or better.

The second performance outcome is related to approval and denial rates and is designed to maximize the approval of child care for all eligible participants. For the first six months of the new contract, the Department will measure the number of approvals and denials to establish a base rate. APPs will be expected to increase their approval rates by one-half percent of the base rate in each three-month period of this contract term.

Monitoring of contract requirements will include tracking the timeliness of the APPs' actions in approving child care, timeliness in processing denials, ensuring the accuracy of the child care approval and denial actions, and the accuracy and timeliness of child care payments.

The monitoring of the current contracts is performed on a quarterly basis. The last monitoring of the APP agencies, for the period of July 1, 2005 through September 30, 2005, was completed in May 2006 and the monitoring report was issued in June 2006. Nine of the 13 APP agencies were in compliance with the contract requirements. Four agencies had findings that resulted in fiscal deductions that ranged from \$200 to \$900.

IMPACT ON CURRENT SERVICES

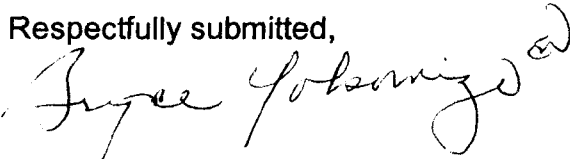
The execution of these Agreements will not infringe on the role of the County in its relationship to its residents, and the County's ability to respond to emergencies will not be impaired. There is no change in risk exposure to the County.

The award of these Agreements will enable the Department to continue providing Stage One Child Care Services to the County's CalWORKs participants.

CONCLUSION

Upon Board approval, the Executive Officer, Board of Supervisors, is requested to send one adopted stamped Board letter to the Director of DPSS.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Bryce Yokomizo", with a small circular mark at the end of the signature.

Bryce Yokomizo
Director

BY:rh

Enclosures

c: Chief Administrative Officer
County Counsel
Auditor-Controller
Executive Officer, Board of Supervisors

STAGE 1 CHILD CARE SERVICES CONTRACTORS

1. Center for Community & Family Services (CCFS)
565 North Rosemead Boulevard
Pasadena, CA 91107
2. Child Care Information Service (CCIS)
2698 Mataro Street
Pasadena, CA 91107
3. Child Care Resource Center (CCRC)
16650 Sherman Way, Suite 200
Van Nuys, CA 91406
4. Children's Home Society of California (CHS)
1300 West Fourth Street
Los Angeles, CA 90017
5. City of Norwalk
11929 Alondra Boulevard
Norwalk, CA 90650
6. Connections for Children
2701 Ocean Park Boulevard, Suite 253
Santa Monica, CA 90405
7. Crystal Stairs, Inc.
5110 West Goldleaf Circle, Suite 150
Los Angeles, CA 90056
8. Drew Child Development Corp.
1770 East 118th Street
Los Angeles, CA 90059
9. International Institute of Los Angeles
3845 Selig Place
Los Angeles, CA 90031
10. Mexican American Opportunity Foundation (MAOF)
401 North Garfield Avenue
Montebello, CA 90640
11. Options
100 N. Citrus Street, Suite 300
West Covina, CA 91791
12. Pathways
3550 West 6th Street, Suite 500
Los Angeles, CA 90020
13. Pomona Unified School District (PUSD)
1460 East Holt Boulevard, Suite 130
Pomona, CA 91767

**STAGE 1 CHILD CARE
ESTIMATED CONTRACT COSTS
SEPTEMBER 1, 2006 THROUGH JUNE 30, 2009**

Enclosure C

(All total amounts are rounded to the nearest thousand)

Contractors	FY 2006-07 (September 2006 - June 2007)						FY 2007-08		FY 2008-09		TOTAL
	Case Management	Collocation Staff	Outreach Activity	10-Month Subtotal	Direct Provider Payments	10-Month Total	12-Month Total		12-Month Total		
Center for Community & Family Services	2,432,998	0	10,690	2,443,688	10,478,000	12,922,000	15,614,000		15,733,000		44,269,000
Child Care Information Service	601,189	0	2,640	603,829	2,276,000	2,880,000	3,483,000		3,511,000		9,874,000
Child Care Resource Center	4,103,307	353,445	18,040	4,474,792	17,042,000	21,517,000	25,832,000		25,846,000		73,195,000
Children's Home Society of California	1,932,289	340,910	8,320	2,281,519	8,606,000	10,888,000	13,214,000		13,327,000		37,429,000
City of Norwalk	255,221	0	1,110	256,331	1,040,000	1,296,000	1,551,000		1,563,000		4,410,000
Connections for Children	330,549	0	1,450	331,999	1,421,000	1,753,000	2,118,000		2,134,000		6,005,000
Crystal Stairs, Inc.	5,062,171	342,383	22,250	5,426,803	23,050,000	28,477,000	34,373,000		34,580,000		97,430,000
Drew Child Development Corp.	1,678,427	0	7,380	1,685,807	7,473,000	9,159,000	11,065,000		11,146,000		31,370,000
International Institute of Los Angeles	265,876	0	1,170	267,046	992,000	1,259,000	1,523,000		1,536,000		4,318,000
Mexican American Opportunity Foundation	1,888,808	110,621	8,300	2,007,728	7,549,000	9,557,000	11,562,000		11,664,000		32,783,000
Options	1,172,815	139,630	5,150	1,317,595	5,217,000	6,535,000	7,904,000		7,971,000		22,410,000
Pathways	1,115,518	0	4,900	1,120,418	4,303,000	5,423,000	6,558,000		6,612,000		18,593,000
Pomona Unified School District	916,902	90,440	1,000	1,008,342	4,827,000	5,835,000	6,991,000		7,041,000		19,867,000
TOTAL	21,756,000	1,378,000	93,000	23,227,000	94,274,000	117,501,000	141,788,000		142,664,000		401,953,000

NOTE: Some rounding differences were adjusted.